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**DOWJONES**

Article 139

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China China has significant **rare earth** resources. Its output and capacity of **rare earth** minerals/products ranks first in the world. Today, global industrial reserves and proven **rare earth** resources amount to about 44.8M mt and 47.6M mt, of which China accounts for around 80.32% and 75.53%, respectively. In recent years, some new deposits have been discovered in China, such as the rare earths deposit of the ion-adsorption type in Yunnan, and China's second-largest **rare earth** deposit in Minning, Sichuan.

Reportedly, China's output of **rare earth** mineral products totals 55K mt/yr, accounting for 62% of the world's total production with refined **rare earth** products totaling 46.5K mt, for 70%. Annual exports total 31.4K mt, accounting for 62% of global rare earths markets outside China.

Its **rare earth** industry is regulating product structure, improving product quality, and working up from extensive toward intensive management. Due to Asian financial crises, China's **rare earth** industry faces a serious challenge. These days the operating rate of many enterprises is under 30%, with unmarketable products, low **prices**, and reduced profits. This difficult position is oversupply resulting from singularly fast growth in China's **rare earth** industry in recent years.-LGH

World Wide Minerals Ltd. (WW) announced that its Libra Gold Corp. exploration-subsidiary has acquired the rights to a 51% joint venture interest in the Dafang gold project in Hunan Province. The project was previously being developed by Princess Resources Ltd. In addition, Libra Gold has secured nonrecourse, equity-based interim financing of \$200K to further its China gold projects.

Dafang is the focal point of a 95 km<sup>2</sup> gold concession, which has a total drill-indicated/inferred resource estimated at up to 1.0M-oz Au (15M-mt ore grading 1.23-g/mt Au and 46-g/mt Ag, or 2-g/mt Au-equivalent), reportedly with significant potential for additional ounces.

The resource estimate was prepared by Princess using a cutoff of 0.4-g/mt Au and inverse distance squared methodology in accordance with the Australian resource code. Approximately \$3.5M previously was spent on exploration of the project and related costs in 1997-1998 by Princess, including funding from Arcon International Resources plc of Dublin.

Libra Gold acquired the interest in Dafang by purchasing a \$2.5M, 14% convertible secured debenture of Princess held by Arcon in exchange for paying Arcon a 0.67% NSR royalty on Princess' 51% interest in the Dafang Gold Project. In a related transaction, Libra Gold has also acquired the direct interest of Princess in Dafang in exchange for reducing the amount outstanding on the debenture by \$1.2M and agreeing to pay to Princess a 0.33% NSR royalty on the 51% interest in

\* DEX and agreeing to pay to DEX a 0.5% Net Royalty on the 50% interest in the Dafang Gold Project.

Also, Arcon has been granted the right of first refusal to earn into 50% of the net interest of Libra Gold, and to develop a base metal mine on Dafang. If Arcon exercises the right of first refusal, it would be required to produce a bankable feasibility study and to construct a base metal mine including all requisite financing of construction of the mine and initial working capital.

In addition to the Dafang Gold Project, Libra Gold also has interests in the following gold projects:

\* Dexing (60% Libra Gold), a 99 km<sup>2</sup> concession in Jiangxi Province. It surrounds the Tongshang, open pit copper-gold mine (6.7M-oz Au and 10B-lb Cu) and is adjacent to the Jinshan gold mine (2M-oz Au). The project has four known target areas with the potential to host a significant underground or open pit gold mine.

\* Tongshi (55% Libra Gold), a 34 km<sup>2</sup> area in southwestern Shandong Province. This property is adjacent to two producing gold mines with reserves exceeding 1.0M oz. Three anomalies have been identified to date and the potential exists to host a significant open pit or underground mine.

\* Laizhou (Libra Gold can earn a 60% and a 68% interest in the two properties). The project is adjacent to the 70K-oz/yr, Cangshang gold mine. Surface sampling, trenching, and diamond drilling has indicated the potential for a significant open pit or underground mine.

\* Easter (Libra Gold 100%) a 1,013 ha. permit area in Nevada with a 93K-oz drill-indicated gold resource. Libra Gold in 1998 optioned a 70% interest to U.S.-based Aur Resources Inc. for option payments of \$150K and a \$1M work commitment over five years. Interim funding of \$200K has been agreed for Libra Gold by way of a convertible note that can be exchanged for a 20% common share interest in the existing Libra Gold. The remaining 80% interest in Libra Gold is held by WW.

Separately, WW is pursuing a \$300M lawsuit against the Republic of Kazakhstan and Nukem Inc. in the U.S. Federal Court.

Billiton China B.V. and the Yunnan LanPing Nonferrous Metals Co. have signed an exclusive cooperation agreement to begin prefeasibility studies and negotiate the formation of a joint venture company to progress the LanPing zinc project through prefeasibility, bankable feasibility, development, and mining. The agreement envisages that a successful feasibility study would be followed by restructuring of the corporate vehicle to allow development of an integrated zinc mining complex in Yunnan province, southwest China. Work completed by Billiton since June 1999 suggests that the LanPing resource may support a project producing up to 250K-mt/yr Zn at an initial capital cost of about \$500M. Billiton would earn majority ownership in the eventual venture. Billiton China is a wholly owned subsidiary of Billiton plc.-LW

Laos Pacific Resources Investments Ltd., a subsidiary of Rio Tinto Ltd. (Rio Tinto), has an agreement-in-principle with Oxiana Resources NL to sell 80% of its interest in the Sepon copper-gold project. Since 1992, exploration by Rio Tinto has resulted in the discovery of both gold and high-grade copper resources in various deposits over the area. While significant, the resource is considered not of sufficient size for Rio Tinto to develop.

Sale of the Sepon Project is subject to approval of the government, final legal and commercial due diligence by Oxiana and project financing arrangements being put

in place. Rio Tinto will retain 20% equity in the project.

The mining sector is potentially one of Laos' most promising long-term growth areas. Companies from Europe and the United States have explored oil and mineral sites with very limited results, therefore, the full potential for Laos remains an unknown. One American company had unsuccessfully searched for commercially viable amounts of alluvial gold in Luang Prabang Province; it is currently mining some lode gold. Other ongoing mining activities exploit tin and gypsum used mainly for domestic construction. Sizeable lignite and coal deposits are set for imminent development.

A major attraction to investors had once been the willingness of the government to conclude "cradle-to-grave" agreements which conferred exclusive rights over exploration, mining, processing, and exports in concession areas. In 1997, however, a new mining act passed by the National Assembly greatly restricted investors' rights and protections and reduced business incentives for large-scale exploration projects. -[U.S. State Dept./PC]

**Mongolia** The government was to have sold its holding in the Khailast placer-gold mine through sealed bid auction in December 1999. Khailast was established in 1990 by a Council of Ministers order and in 1993 became a shareholding company. The government owns 90% of the company-10% was privatized through the Mongolian stock exchange. Total reserves are estimated at 11.6-mt Au. The company recovered 157.3-kg Au in 1999. Khailast has completed payments totaling 90.4% of a contract costing \$5.25M for Drag-250 equipment to the Russia-based Itmek. Some 78% of the installation is completed.

Production capacity is 250-300 kg/yr. Total production since 1990 is 1,852 kg Au. Grade has ranged from 0.220-0.743 g/m<sup>3</sup>, with an average of 0.448 g/m<sup>3</sup>. The company owns two adjoining license areas in the Zaamar region covering the Khailast placer deposit and the Bayangol deposit. The two licenses comprise 1,000 ha. The placer deposits are located on the southwest of Khentii Mountain in Zaamar, 220 km southwest of the Erdenet copper mine. Only 100 mi of the road from the Mongolian capital, Ulaanbaatar, is paved.

Mongolia gold production in 1998 was 10 mt, of which 2.7 mt were exported. In the first 10 mo of 1999, production was 8.79 mt. There are over 80 gold mining companies registered in Mongolia. -[U.S. State Dept./PC]

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